

WASHINGTON— U.S. Reps. Harry Mitchell, D-Ariz., and Mark Kirk, R-Ill., have joined forces to introduce bipartisan legislation to permanently reduce capital gains and estate taxes.

“Key tax cuts are set to expire, and that ought to concern Democrats as well as Republicans,” said Mitchell. “We need to get beyond partisanship and get rational about our nation’s tax policy. Raising capital gains taxes discourages investment and raising the estate tax hurts families who own homes and small businesses. That just doesn’t make sense.”

Permanently Reducing the Capital Gains Tax

H.R. 498, the Mitchell-Kirk Capital Gains and Estate Tax Relief Act, permanently reduces the capital gains tax to 15 percent. In 2003, Congress temporarily cut the capital gains rate from 20 percent to 15 percent. The temporary cut is scheduled to expire in 2011, and if it is allowed to expire, Americans would experience a 33 percent increase in the capital gains tax.

Permanently reducing the capital gains tax is increasingly important. More Americans own stock than ever before, and increasingly invest in stock for retirement. Today, 47 percent of Americans own stock, up from less than 20 percent in 1983. [Sources: http://www.ici.org/pdf/rpt_08_equity_owners.pdf]

Permanently Reducing the Estate Tax

Mitchell-Kirk would also permanently reduce the estate tax exemption. Unless Congress acts, the estate tax exemption, presently \$2 million, will shrink back to \$1 million in 2011, a change that would adversely impact middle class families.

H.R. 498 establishes an automatic increase in the exemption, indexed for inflation, beginning with \$3.75 million in 2010. It raises the exemption to \$5 million by 2015 and then indexes the exemption for inflation thereafter. Furthermore, Mitchell-Kirk eliminates the flat 55 percent tax rate and creates two lower estate tax rate brackets: 15 percent for estates valued below \$25 million, and 30 percent for estates valued above \$25 million.

In each of the last two years, Democrats passed budget resolutions that allowed the 2001 and 2003 tax cuts to expire. Mitchell voted against both.